

United States v. Kenneth Starr and Andrew Stein

**Prepared Remarks for U.S. Attorney Preet Bharara
May 27, 2010**

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today we announce the arrest of a Manhattan financial advisor, Kenneth Starr, for allegedly defrauding the clients who trusted him with their money. In a complaint unsealed today in Manhattan federal court, Starr is charged – in three counts – with wire fraud, investment advisor fraud, and money laundering.

As the complaint lays out, Starr is a lawyer, accountant, and financial advisor, who has for years specialized in serving celebrity and high net-worth clients. They included actors, hedge fund managers, philanthropists, and other investors.

But as we allege today, some of those clients were actually just pawns in a Ponzi scheme.

The Complaint alleges fraudulent activity to the tune of more than \$30 million, but the investigation is still at a very early stage.

Partners

But before I go into the details of the charges, let me introduce the team without which we would not be here:

- the Internal Revenue Service, represented by Special Agent-in-Charge Patty Haynes – and special agent Bob Beringer;
- the Securities and Exchange Commission, represented by head of the New York Regional Office, George Canellos.
- In addition, I am particularly pleased because I am also joined today by the District Attorney of New York County, Cy Vance. I have been U.S. Attorney for about nine months, and Cy has been the D.A. for about 5 months, and no one can recall the last time that the Manhattan District Attorney and the United States Attorney for the Southern District have jointly announced a case in this building. Today's announcement reflects the joint commitment of our two offices to work together to root out financial crime and to protect investors.

- I also want to express my appreciation to the people in my office who have worked so hard on this case – our criminal investigators Ron Gardella and Bob Ryan and Assistant U.S. Attorneys Bill Harrington and Michael Bosworth, as well as their unit chief, Dan Stein, who are in charge of this prosecution.

The Charges

Now let me take a minute to review the particular charges we've unsealed today. As the 37-page Complaint sets out in some detail, Starr had an M.O. that has become unfortunately familiar in recent times:

- He used his access to famous and powerful clients to burnish an image of trustworthiness, inducing them to entrust him with management and control of their financial affairs.
- In some cases, he assumed total control over his clients' financial lives by collecting their earnings, investing their savings, and even paying their bills.
- But, as we allege, much of it was a mirage.

As set forth in the Complaint, Starr allegedly abused the trust of his clients in two primary ways.

First, we charge that, sometimes, he simply stole money directly from clients.

The other way Starr is charged with defrauding his clients was by inducing them to invest their money in dubious ventures – in which he, or his associates, held undisclosed interests and which never yielded any return:

- For example, the Complaint accuses Starr of defrauding one client and his wife of nearly \$14 million between 2008 and 2009 in either bogus or high-risk investments that were not fully described to the clients, if they were described at all. Virtually all of that \$14 million remains unaccounted for to this day.

Starr is accused of defrauding several other clients in similar ways.

Andrew Stein

Now, besides the charges against Kenneth Starr, we have also unsealed related charges against Andrew Stein, the former President of the New York City Council. Now, let me emphasize that Andrew Stein is not charged with participating in Starr's alleged frauds.

He is charged, however, with lying to the IRS and to federal investigators about a number of matters material to that fraud investigation.

In particular, Stein is charged with making false statements about his knowledge, and management of, a shell corporation called Wind River LLC. Wind River is a corporation that defendant Kenneth Starr set up for Stein and was unwittingly funded by Starr's own allegedly defrauded investment clients.

The Complaint charges that Stein lied to the IRS by failing to disclose the existence of Wind River, as he was required to do – even though he was an officer of Wind River and even though he withdrew approximately \$1.6 million from Wind River accounts to cover what appear to be personal expenses, including travel, hotel stays, restaurants, and even \$150,000 for a luxury summer rental in Bridge Hampton, New York.

He is also charged with lying to federal officers when they asked him about Wind River in November 2009.

Conclusion

Now, the investigation that led to today's arrests has moved with great speed.

But there is still much that we don't know. Starr had hundreds of clients, and we have not yet analyzed all of those accounts. But we will. As we speak, investigators are searching Starr's office pursuant to a court-authorized search warrant.

But we felt compelled to make the arrest now, for three important reasons – to stop possible ongoing fraud, to encourage other potential victims to come forward, and to protect client assets. So far this morning we have taken steps to freeze 23 different bank accounts.

Today's charges unfortunately seem to confirm what has become all too apparent lately – anyone can be a victim of financial fraud. Whether you are an ordinary citizen or a savvy businessman or a sophisticated celebrity, you can be victimized.

The vast majority of financial advisors in America are honest and honorable. But even one bad apple can destroy the life savings of hundreds of unsuspecting people.

So, the lesson is this: no matter how smart you think you are, you should always carefully check on your investments and even more carefully vet your financial advisors. Trust, but verify.

If a deal sounds too good to be true, it probably is.

And if someone is pretending to have the Midas touch, he's probably just selling you fool's gold.

And if you think you are a victim of fraud in this or any other case, please contact us.